

Message Text

CONFIDENTIAL

PAGE 01 OSLO 03948 131754Z

44

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-01 INR-07 NSAE-00 SAL-01 CG-00 DLOS-06 OES-06

IO-13 /054 W

----- 118457

P 131604Z AUG 76

FM AMEMBASSY OSLO

TO SECSTATE WASHDC PRIORITY 2296

C O N F I D E N T I A L OSLO 3948

E.O. 11652: GDS

TAGS: EGEN ENRG EWWT NO

SUBJ: EFFECT OF EXCESS TANKER CAPACITY

REF: STATE 198513

1. A TOTAL OF 10,258,900 DEAD WEIGHT TONS OF TANKERS, OR 39.5 PERCENT OF THE NORWEGIAN TANKER FLEET, WAS LAID UP AS OF AUGUST 1, 1976. SINCE LAST SPRING, WHEN NEARLY 48 PERCENT OF THE TANKER FLEET WAS LAID UP THERE HAS BEEN A SMALL BUT STEADY REDUCTION OF LAID UP TONNAGE MAINLY AS A RESULT OF SHIPOWNERS TAKING ADVANTAGE OF IMPROVED RATES IN THE PERSIAN GULF.

2. THE MAJOR STEP TAKEN BY THE NORWEGIAN GOVERNMENT IN SUPPORT OF THE SHIPPING INDUSTRY WAS ESTABLISHMENT OF THE GUARANTEE INSTITUTE FOR SHIPS AND DRILLING RIGS IN LATE 1975 (SEE OSLO A-201 OF 11/7/75 AND A-138 OF 7/18/75). THE INSTITUTE IS INTENDED TO PROVIDE GUARANTEES FOR LOANS TO NORWEGIAN SHIPPING AND DRILLING RIG COMPANIES TO PREVENT THE SALE OF NORWEGIAN SHIPS AND RIGS TO FOREIGN BUYERS AT PRICES LOWER THAN THOSE THAT ARE DEEMED TO BE IN THE INTEREST OF THE NORWEGIAN NATIONAL ECONOMY IN GENERAL AND TO MAINTAIN AND INTERNATIONALCOMPETITIVE NORWEGIAN SHIPPING INDUSTRY. THE INSTITUTE IF ONLY INTENDED TO PROVIDE TEMPORARY, PARTIAL SOLUTION TO NORWEGIAN SHIPOWNERS' FINANCIAL PROBLEMS AND EVEN WITH THE INSTITUTE THE GOVERNMENT EXPECTS THAT SOME SHIPOWNERS ARE GOING TO BE PUT OUT OF BUSINESS AND THAT MANY SHIPS WILL HAVE TO BE SOLD ABROAD

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 OSLO 03948 131754Z

AT LOW PRICES.

3. THE GUARANTEE INSTITUTE OPENED ITS DOORS FOR BUSINESS ON JANUARY 1, 1976, AND AS OF THE END OF JULY HAD ISSUED GUARANTEES TO 25 SHIPOWNERS, INCLUDING TWO OF NORWAY'S LARGEST TANKER OWNERS, HILMAR REKSTEN AND HAGB. WAAGE. SO FAR THERE HAS BEEN NO REAL BANKRUPTCIES AMONG SHIPOWNERS AND THE INSTITUTE HAS SUSTAINED NO CAPITAL LOSSES. WITHOUT THE INSTITUTE REKSTEN, WAAGE AND SEVERAL OTHERS WOULD MOST LIKELY HAVE GONE UNDER, SETTING IN MOTION OTHER BANKRUPTCIES AS BANKS WOULD HAVE BEEN LESS WILLING TO HOLD SHIPOWNERS' DEBTS. A CONSIDERABLE, BUT UNKNOWN, SHARE OF NORWEGIAN SHIPOWNER DEBT IS UNDERSTOOD TO BE HELD BY AMERICAN BANKS. THE INSTITUTE'S COMMITMENT AUTHORITY FROM THE NORWEGIAN GOVERNMENT WAS DOUBLED THIS SPRING TO FOUR BILLION KRONER (\$727 MILLION).

4. GOVERNMENT HAS ALSO SUBMITTED A REPORT TO PARLIAMENT (SEE OSLO A-34 OF 3/9/76) WHICH WOULD MAKE IT EASIER FOR NORWEGIAN SHIPOWNERS TO INVEST ABROAD, USE FOREIGN FLAGS, AND ENTER INTO JOINT VENTURES OUTSIDE OF NORWAY. REPORT WILL BE DEBATED IN 1976-77 SESSION OF PARLIAMENT.

5. NORWAY HAS ABOUT 80 SHIPYARDS (AND SEVERAL HUNDRED BOATYARDS), BUT ONLY A FEW BUILD TANKERS, AND ONLY ONE COMPANY, THE AKER GROUP, BUILDS SUPERTANKERS. FEW YARDS HAVE THEREFORE BEEN DIRECTLY AFFECTED BY THE EXCESS TANKER CAPACITY AND MANY OF THE YARDS REPORT ENOUGH ORDERS TO KEEP THEM IN OPERATION AT LEAST THROUGH 1977. IN ABOUT ONE YEAR'S PERIOD THROUGH SEPTEMBER 1975 ORDERS REPRESENTING ABOUT 2.6 MILLION GROSS REGISTERED TONS WERE CANCELLED AT NORWEGIAN SHIPYARDS. PRACTICALLY ALL OF THIS REPRESENTED TANKERS ORDERED FROM THE AKER GROUP WHICH DURING THIS PERIOD HAD TO CROSS OUT 11 VLCCS AND ULCCS FROM ITS ORDER BOOKS, AND WHICH HAS DELIVERED ITS LAST SUPERTANKER BY NOW. THE COMPANY IS PRESENTLY MAINLY ENGAGED IN BUILDING RIGS AND SUPER STRUCTURES FOR PETROLEUM PRODUCTION PLATFORMS.

6. GOVERNMENT MEASURES TO ALLEVIATE THE EFFECTS OF THE TANKER CRISIS ON THE SHIPBUILDING INDUSTRY FALL IN FOUR MAIN CATEGORIES;
A) GOVERNMENT GUARANTEES FOR LOANS ABROAD AND AT HOME A-123 6/24/75),
B) LOANS FROM THE STATE INDUSTRY FUND (A-123 6/24/75), C) AN EXTENSION OF THE SCOPE OF FIRST MORTGAGE LOANS FROM THE STATE LENDING INSTITUTE FOR THE SHIPPING INDUSTRY (A-63 4/11/75), AND
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 OSLO 03948 131754Z

FINALLY D) STATE PURCHASE OF SHIPOWNER REKSTEN'S PORTFOLIO OF SHIPPING AND INDUSTRY STOCK TO PERMIT HIM TO PAY OFF HIS CANCELLATION DEBT TO THE AKER GROUP.

7. TO OUR KNOWLEDGE NO PROTECTIONIST MEASURES HAVE BEEN INTRODUCED IN CONNECTION WITH THE TANKER CRISIS.

8. A GOVERNMENT COMMITTEE CHAIRED BY FORMER MINISTER OF INDUSTRY

INGVAR ULVESETH HAS BEEN APPOINTED TO STUDY THE NORWEGIAN SHIP-BUILDING INDUSTRY. THE COMMITTEE IS EXPECTED TO DELIVER ITS RECOMMENDATIONS NEXT SPRING.
ANDERS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, NEGOTIATIONS, CARGO SHIPS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976OSLO003948
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760312-0343
From: OSLO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760856/aaaabwbd.tel
Line Count: 119
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 STATE 198513
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2004 by ifshinsr>; APPROVED <25 AUG 2004 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EFFECT OF EXCESS TANKER CAPACITY
TAGS: EGEN, ENRG, EWWT, NO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006